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We begin this issue of *The Journal of Fixed Income* with three articles on yield curves. First, David S. Bieri and Ludwig B. Chincarini provide additional proof of profitable trading strategies that exploit risk premiums in the yield curve. Furthermore, additional information in Fed funds futures is used to enhance performance. Second, John J. Merrick, Jr. examines the U.S. Treasury buy-back program that began in March 2000 and ended in April 2002. He evaluates the execution of the program by the Treasury and the effect on the markets. The unintended consequences in the Treasury STRIPS markets confirm the need for reforms. Third, Mathieu Dieudonné and Jean-Christophe Cutillet present a methodology in order to minimize the risk exposure of multicurrency fixed income portfolios. Interestingly, the USD 10-year swap rate contains significant information on the most probable changes in multicurrency term structures.

The remaining articles in this issue concern credit risk. In the current tight spread environment, there seems to be little compensation for bearing default risk. Hence, more attention to the consequences of default are essential to fixed income portfolio performance. Daniel Rösch and Harald Scheule develop a multi-factor model of default and recovery for credit risk. An important feature of this model is the estimated negative correlation between the defaults and recoveries over the business cycle. In the next article, Hui et al. provide a Merton structural model-based methodology for credit risk assessment (probabilities of default) and capital requirements for the Basel New Capital Accord to be implemented by the end of 2006. Then, Kenneth M. Emery and Richard Cantor examine why corporate affiliates exhibit varying degrees of default. Although the likelihood of at least one entity avoiding default was only 20%, that likelihood increases to 58% for families with investment grade ratings within three years of default and drops to 13% for speculative grade companies.

Finally, Jochen R. Andritzky considers the difficult problem of estimating recovery rates in the event of default for sovereign bonds in the context of a reduced form model. The methodology is applied to the economic events and yields associated with the latest Argentine global bond crisis from 2000-2002.

We hope you enjoy this issue of *The Journal of Fixed Income*. Your continued support of the Journal is greatly appreciated.

Stanley J. Kon
Editor

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